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UNCLAS SECTION 01 OF 02 ANKARA 001003

SIPDIS

SENSITIVE

DOE FOR CHUCK WASHINGTON

E.O. 12958: N/A

TAGS: [ENRG](#) [I2](#) [TU](#)

SUBJECT: KARADENIZ OPTIMISTIC FOR INCREASED EXPORT OF ELECTRICITY TO IRAQ, BUT...

REF: A. ANKARA 246

[1](#)B. 04 ANKARA 6195

[1](#)1. (SBU) Summary: Currently exporting close to 200 MW of electricity from its Silopi, Turkey plant to northern Iraq, Karadeniz told us they have reached agreement with GOT to expand capacity to 1000 MW, potentially providing electricity all the way to Mosul. It is unclear whether or when Karadeniz will gain approval from the Turkish energy regulatory authority (EMRA) to actually provide this quantity of electricity. End Summary.

Agreement With Iraqis to Increase Exports

[1](#)2. (SBU) Reftels describe the challenges of Turkish firm Karadeniz/Kartet Energy Company's quest to increase export of electricity from its Silopi plant in Turkey to northern Iraq.

The company is exporting close to 200 MW of electricity across the border, but Iraq has been unable to provide fuel oil as provided for by the partial barter arrangement in the original deal. Karadeniz has scrambled to provision its "mobile" plants with replacement Turkish fuel oil and has purchased electricity off the Turkish grid to seek to maintain its high visibility effort. Karadeniz says it has already increased its transmission capacity to 300 MW and worked with the Iraqi authorities to seek alternative sources or mechanisms for provision of fuel oil or for the Iraqi side to pay compensating damages. Orhan Karadeniz called Energy Officer on February 16 to say that the company had reached agreement with the GOT Ministry of Energy (MENR) and Iraqi authorities to increase capacity to 1000 MW. According to Karadeniz, the Government of Iraq would take care of increasing transmission capacity in Iraq and Karadeniz would make needed investment in Turkey.

Turkish Regulatory Approval Not Yet Secured

[1](#)3. (SBU) Approval of the new deal by Turkey's energy regulator (EMRA) is not however secured. In the past, EMRA has asserted that Karadeniz illegally purchased and exported electricity from the Turkish grid and TETAS (Turkish electricity trading company) to meet its contractual obligations. TETAS and EMRA claim that Karadeniz owes significant back-payments for some of this electricity. Even the provision of replacement fuel oil in Turkey has been difficult or overly expensive- and also subject to EMRA approval. The MENR has generally supported the project, but notes that there are regulatory shortcomings that need to be resolved.

If Pigs Could Fly

[1](#)4. (SBU) Noting no desire to work with TETAS, Karadeniz said they plan to import the large amount of incremental electricity from Bulgaria and Georgia, handily adding that they would effect the necessary investment. Energy Officer pointed out the clear challenges in doing this without support of TETAS, EMRA, or TEIAS (the state-owned transmission company). (Note: This plan and required investment strikes post as unrealistic. End Note.)

Comment

[1](#)5. (SBU) This project offers "good news" potential (increased provision of badly needed electricity to Iraq), but it faces significant obstacles and challenges to make it happen. In particular, Karadeniz will need to sort out its problems with EMRA, which views the initial scheme as irregular. Although there is no evidence of impropriety in this situation, EMRA may also be leery of the Karadeniz family's implication in the 2001 "White Energy" corruption scandal, although Karadeniz officials were acquitted of bribery charges in the case. End Comment.

[1](#)6. (U) Baghdad Minimize Considered
EDELMA